

Open-End Net Fund Flows (\$)	6/22	5/22	YTD (Jun)
Equity	-42.60B	-35.52B	-157.99B
Taxable Bond	-47.60B	-65.53B	-208.78B
Municipal Bond	-14.89B	-20.17B	-88.22B
Hybrid	-11.97B	-8.94B	-35.77B
Taxable Money Market	30.15B	-15.20B	-222.63B

Key Interest Rates	7/29/22	12/31/21	7/30/21
Federal Funds Target Rate	2.50%	0.25%	0.25%
2-Year T-Note	2.89%	0.73%	0.19%
5-Year T-Note	2.68%	1.26%	0.69%
10-Year T-Note	2.65%	1.51%	1.22%
Bond Buyer 40	4.26%	3.45%	3.37%

Commodities/U.S. Dollar	7/22	YTD	12 Mo.
U.S. Dollar Index (DXY)	1.16%	10.69%	14.90%
Refinitiv/CC CRB Excess Ret.	0.31%	25.69%	33.92%
Crude Oil/WTI (per Barrel)	-6.75%	31.13%	33.36%
Natural Gas (per million BTUs)	51.85%	120.64%	110.49%
Gold Bullion (Ounce)	-2.46%	-3.59%	-2.74%

## Total Return Performance

U.S. Stock Indices	7/22	YTD	12 Mo.
S&P 500	9.22%	-12.59%	-4.66%
DJIA	6.82%	-8.60%	-4.14%
NASDAQ 100	12.60%	-20.30%	-12.80%
S&P MidCap 400	10.85%	-10.82%	-5.73%
Russell 2000	10.44%	-15.45%	-14.34%
Russell 3000	9.38%	-13.71%	-7.37%

U.S. Styles/Market Caps	7/22	YTD	12 Mo.
S&P 500 Growth	12.82%	-18.34%	-9.14%
S&P 500 Value	5.91%	-6.19%	-0.07%
S&P MidCap 400 Growth	12.69%	-15.43%	-11.30%
S&P MidCap 400 Value	9.20%	-6.13%	-0.11%
Russell 2000 Growth	11.20%	-21.56%	-23.20%
Russell 2000 Value	9.68%	-9.34%	-4.83%

Foreign Stock Indices (USD)	7/22	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	4.97%	-14.72%	-13.20%
MSCI Emerging Markets NET	-0.25%	-17.83%	-20.09%
MSCI Europe NET	4.95%	-16.87%	-15.10%
MSCI BRIC NET	-3.58%	-20.00%	-25.30%
MSCI EM Latin America NET	4.26%	3.67%	-8.79%
Nikkei 225	7.21%	-15.65%	-14.43%

Bloomberg Fixed Income Ind.	7/22	YTD	12 Mo.
U.S. Treasury: Intermediate	1.34%	-4.54%	-5.83%
GNMA 30 Year	3.22%	-4.91%	-5.63%
Municipal Bond (22+)	3.77%	-11.45%	-11.66%
U.S. Aggregate	2.44%	-8.16%	-9.12%
Intermediate Corporate	2.37%	-6.81%	-7.98%
U.S. Corporate High Yield	5.90%	-9.12%	-8.02%
Global Aggregate	2.13%	-12.08%	-14.58%
EM Hard Currency Aggregate	1.91%	-16.94%	18.43%

Sources: Bloomberg and Investment Company Institute

**Past performance is no guarantee of future results.** Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

## Climate

The Bureau of Economic Analysis reported on 7/28 that real U.S. GDP growth for Q2'22 came in at -0.9% on an annualized basis. Real GDP growth was -1.6% in Q1'22. While two consecutive quarters of negative growth fits the standard definition of a recession, many pundits are quick to point out that the strong labor market, in particular, does not reflect a recessionary climate at this time. Semantics aside, the sharp plunge in the yield on the 10-year Treasury Note (T-note) does suggest that investors are concerned about the state of the U.S. economy. Its yield declined from 3.48% at the close on 6/14/22 to 2.65% on 7/29/22. That is an 83 basis point plunge at a time in which the Consumer Price Index hit 9.1% year-over-year, its highest mark in over 40 years, and the federal funds target rate (upper bound) increased by 150 basis points to 2.50%. The yield spread between the federal funds target rate (upper bound) and the 10-year T-note stood at 15 basis points as of 7/29/22, well below its average of 148 basis points (3.94% vs. 2.46%) for the 30-year period ended 7/29/22, according to Bloomberg. For the time being, bond investors seem to be signaling to the Federal Reserve ("Fed") that they believe the U.S. economy has weakened enough that perhaps the Fed could get away with more modest rate hikes going forward, in our opinion. We'll see. The rally in the bond market in July (see Bloomberg Fixed Income Indices table) was accompanied by a huge rally in the stock market (see U.S. Stock Indices). While it was a welcome sight, we still believe there continues to be a disconnect between the markets (Wall Street) and the economy (Main Street).

## Stock Market

The S&P 500 Index ("index") closed July 2022 at 4,130.29, 13.89% below its all-time closing high of 4,796.56 on 1/3/22, according to Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 13.67% and 15.42%, respectively, below their record closing highs as of month-end. While down significantly, none were in bear market territory (down 20% or more from recent peak) as of 7/29/22. In July 2022, the S&P 500 Index posted a total return of 9.22%. All 11 major sectors that comprise the index were up on a total return basis. The top-performer was Consumer Discretionary, up 18.94%, while the worst showing came from Consumer Staples, up 3.30%. The index posted a total return of -12.59% year-to-date through 7/29/22. Only two of the 11 major sectors were up on a total return basis. The index's top performer was Energy, up 44.44%, while the worst showing came from Communication Services, down 27.57%. A Bloomberg survey of 23 equity strategists found that their average 2022 year-end price target for the S&P 500 Index was 4,442 as of 7/15/22, down from 4,617 on 6/15/22 (23 strategists surveyed), according to its own release. The highest and lowest estimates were 5,100 (down from 5,330) and 3,400 (down from 3,900), respectively. Earnings estimates were revised markedly lower in July. Bloomberg's 2022 and 2023 consensus year-over-year (y-o-y) earnings growth rate estimates for the S&P 500 Index were 9.3% and 6.4%, respectively, as of 7/29/22. Those same estimates stood at 10.7% (2022) and 9.3% (2023), respectively, a month ago. The relative strength of the U.S. dollar in 2022 is pressuring corporate earnings. As a result, companies have been lowering their second half guidance.

## Bond Market

The yield on the benchmark 10-year T-note closed trading on 7/29/22 at 2.65%, down 37 basis points from its 3.02% close on 6/30/22, according to Bloomberg. The 2.65% yield stood 58 basis points above its 2.07% average for the 10-year period ended 7/29/22. Rising interest rates (Fed) and increased volatility in the capital markets have curtailed the supply of corporate debt coming to market this year, according to Fitch Ratings. Investment-grade bond issuance declined by 26% to \$292 billion in the 1H'22 compared to the same period a year ago. High yield bond issuance was off 78%, falling to \$61 billion. Leveraged loan issuance is off 60% from last year's pace. Simply put, the second half of 2022 will likely be a battle between high inflation and economic output. If inflation remains stubbornly high, then the Fed may have to continue to hike rates aggressively, regardless of what direction the economy takes. It has three FOMC (Federal Open Market Committee) meetings remaining in 2022. They are in September (20-21), November (1-2) and December (13-14).

## Takeaway

In some of our recent newsletters, we have talked about the normalization of interest rates and bond yields. We are currently on our third attempt to do so dating back a decade. As noted above, it continues to be rough sledding. Despite robust inflation, the Treasury yield curve is essentially flat. Suffice it to say, the yield on the 10-year T-note remains artificially low. With inflation sitting at 9.1% (CPI) as of June 2022, bond investors are earning a lousy real rate of return (Coupon minus Inflation). Keep an eye on the 10-year T-note yield.

Data as of 7/29/22

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	4796.56	1/3/2022	1353.33	11/15/2012	4130.29	-13.89%	-12.59%	1.56%
S&P 500 Growth	3423.28	12/27/2021	729.09	11/15/2012	2744.20	-19.84%	-18.34%	0.87%
S&P 500 Value	1571.24	1/12/2022	613.78	8/2/2012	1434.95	-8.67%	-6.19%	2.24%
S&P MidCap 400	2910.70	11/16/2021	926.19	8/2/2012	2512.73	-13.67%	-10.82%	1.73%
S&P MidCap 400 Growth	1427.19	11/16/2021	422.34	8/2/2012	1164.95	-18.37%	-15.43%	1.24%
S&P MidCap 400 Value	908.15	11/15/2021	319.20	8/2/2012	825.87	-9.06%	-6.13%	2.18%
S&P 100	2219.44	1/3/2022	616.63	11/15/2012	1885.59	-15.04%	-13.33%	1.53%
DJIA	36799.65	1/4/2022	12542.38	11/15/2012	32845.13	-10.75%	-8.60%	2.02%
NASDAQ 100	16573.34	11/19/2021	2524.36	11/15/2012	12947.97	-21.87%	-20.30%	0.83%
Russell 2000	2442.74	11/8/2021	768.60	8/2/2012	1885.23	-22.82%	-15.45%	1.52%
Russell 2000 Growth	1709.62	2/9/2021	441.25	11/15/2012	1165.63	-31.82%	-21.56%	0.75%
Russell 2000 Value	2643.45	11/8/2021	1011.85	8/2/2012	2234.45	-15.47%	-9.34%	2.30%
Russell 3000	2804.93	1/3/2022	798.29	11/15/2012	2386.01	-14.94%	-13.71%	1.55%
MSCI World Net (ex U.S.) (USD)	7936.92	9/6/2021	3739.67	8/2/2012	6638.99	-16.35%	-14.72%	3.28%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	499.82	-28.52%	-17.83%	3.10%
Ibovespa/Brazil (USD)	30947.53	1/3/2013	9077.09	1/21/2016	19884.87	-35.75%	5.86%	8.68%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	1129.24	-41.17%	-27.51%	6.13%
S&P BSE 500/India (USD)	337.94	1/13/2022	95.89	9/3/2013	294.18	-12.95%	-7.10%	1.36%
Shanghai Composite/China (USD)	832.07	6/12/2015	314.68	12/3/2012	482.35	-42.03%	-13.87%	2.48%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.88	-36.01%	-24.63%	2.12%
Hang Seng (USD)	4241.01	1/26/2018	2352.43	3/15/2022	2567.71	-39.46%	-12.38%	3.40%
MSCI Euro (USD)	1705.00	9/6/2021	865.50	3/18/2020	1269.72	-25.53%	-21.05%	3.44%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	342.81	8/1/2012	1281.51	-23.41%	-20.10%	0.75%
S&P 500 Consumer Staples	841.99	4/20/2022	351.96	11/15/2012	773.50	-8.13%	-2.47%	2.53%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	598.74	-18.77%	44.44%	3.64%
S&P 500 Utilities	390.94	4/8/2022	171.80	11/15/2012	375.65	-3.91%	4.92%	2.85%
S&P 500 Financials	688.85	1/12/2022	194.80	8/2/2012	560.04	-18.70%	-12.86%	2.07%
S&P 500 Banks	461.87	1/12/2022	147.32	11/14/2012	333.36	-27.82%	-18.92%	3.02%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	480.52	11/15/2012	845.91	-13.69%	-12.24%	3.49%
S&P 500 Health Care	1664.59	4/8/2022	440.19	8/2/2012	1541.88	-7.37%	-5.29%	1.56%
S&P 500 Pharmaceuticals	1004.60	6/27/2022	362.09	8/21/2012	972.56	-3.19%	3.22%	2.38%
NYSE Arca Biotechnology	6319.77	2/8/2021	1397.78	10/31/2012	4785.88	-24.27%	-13.11%	0.46%
S&P 500 Information Technology	3107.46	12/27/2021	439.47	11/15/2012	2522.61	-18.82%	-17.01%	0.93%
Philadelphia Semiconductor	4039.51	12/27/2021	356.00	11/16/2012	2967.14	-26.55%	-24.24%	1.37%
S&P 500 Communication Services	288.46	9/1/2021	130.86	12/24/2018	192.55	-33.25%	-27.57%	1.03%
S&P 500 Industrials	905.63	1/4/2022	306.94	11/15/2012	808.28	-10.75%	-8.88%	1.64%
S&P 500 Materials	569.63	12/31/2021	217.21	8/2/2012	491.31	-13.75%	-12.86%	2.19%
Philadelphia Gold & Silver	195.20	9/21/2012	38.84	1/19/2016	108.73	-44.30%	-17.13%	2.34%
Refinitiv/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	292.06	-11.39%	25.69%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	179.47	8/19/2013	288.54	-9.74%	-8.85%	6.07%
ICE BofA U.S. High Yield Constrained	522.13	12/28/2021	297.31	7/31/2012	475.57	-8.92%	-8.87%	7.80%

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